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THE

Demand and Price

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SUMMARY

Demand for farm products remains relatively high, although declining tendencies in various segments of the economy point toward some further weakening from the record level of last year. This and the large 1949 crops in prospect are likely to result in a slight further decline in the level of farm product prices during the next few months. The aggregate volume of all crops on July 1 was indicated at 131 percent of the 1923-32 average, second only to the record volume of 137 percent harvested in 1948.

Overall economic activity continues downward. Industrial production in June was running 3 percent below that of May and 12 percent below the peak rate in October and November last year. Steel mill operations in early July were 20 percent below the peak reached in mid-March. Wholesale prices in general drifted further downward in June and early July then recovered somewhat in mid-July. Prices at the consumer level remained rather firm.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1948		1949			
		Year	June	Mar.	Apr.	May	June
Industrial production <u>1/</u>	1935-39						
Total.....	=100	192	192	184	179	174	169
All manufactures.....	do.	198	198	193	184	179	175
Durable goods.....	do.	225	222	223	212	201	194
Nondurable goods.....	do.	177	179	168	162	161	161
Minerals.....	do.	155	159	136	148	145	134
Construction activity <u>1/</u>	1935-39						
Contracts, total.....	=100	331	350	305	307	314	340
Contracts, residential.....	do.	397	434	316	343	385	434
Wholesale prices <u>2/</u>							
All commodities.....	1926=100	165	166	158	157	156	154
All commodities except farm and: food.....	do.	151	150	151	149	147	146
Farm products.....	do.	188	196	172	170	171	168
Food.....	do.	179	181	163	163	164	162
Prices received and paid by farmers <u>3/</u>	1910-14						
Prices received, all products.....	=100	287	295	261	260	256	252
Prices paid, interest and taxes...	do.	249	251	246	246	245	245
Parity ratio.....	do.	115	118	106	106	104	103
Consumers' price <u>2/</u> <u>4/</u>	1935-39						
Total.....	=100	171	172	170	170	169	170
Food.....	do.	210	214	202	203	202	204
Nonfood.....	do.	149	148	151	151	150	150
Income							
Nonagricultural payments <u>5/</u>	Bil. dol.	188.8	188.4	191.5	192.3	191.5	
Income of industrial workers <u>3/</u> ...	1935-39						
	=100	364	361	346	340	332	
Factory payrolls <u>2/</u>	do.	389	382	372	358	351	
Weekly earnings of factory workers <u>2/</u>							
All manufacturing.....	Dollars	53.14	52.85	53.59	52.70	52.86	53.68
Durable goods.....	do.	56.76	56.13	57.37	56.86	56.82	57.57
Nondurable goods.....	do.	49.33	49.37	49.72	48.35	49.00	49.57
Employment							
Total civilian <u>6/</u>	Millions	59.4	61.3	57.6	57.8	58.7	59.6
Nonagricultural <u>6/</u>	do.	51.4	51.9	50.3	50.0	49.7	49.9
Agricultural <u>6/</u>	do.	8.0	9.4	7.4	7.8	9.0	9.7
Government finance (Federal) <u>7/</u>							
Income, cash operating.....	Mil. dol.	3,748	4,877	5,555	1,430	2,595	
Outgo, cash operating.....	do.	3,075	4,129	3,854	3,130	3,686	
Net cash operating income or outgo.....	do.	+ 672	+ 748	+1,700	-1,699	-1,091	

Annual data for the years 1929-48 appear on page 29 of the March 1949 issue of The Demand and Price Situation.

Sources: 1/ Federal Reserve Board, converted to 1935-39 base. 2/ U. S. Dept. of Labor, BLS. 3/ U. S. Dept. of Agriculture, BAE, to convert prices received and prices paid interest and taxes, to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ Consumers' price index for moderate-income families in large cities. 5/ U. S. Dept. of Commerce revised figures employing new concepts, seasonally adjusted at annual rate. 6/ U. S. Dept. of Commerce, Bureau of the Census. 7/ U. S. Dept. of Treasury. Data for 1948 are on average monthly basis.

Activity in important parts of the economy is holding up or increasing despite the overall trend. Construction expenditures during the first 6 months of 1949 were at a record and for the year as a whole may exceed last year's total. New housing starts continue to recover from the low levels of early 1949. In June 100,000 units were started, exceeding last year's number of starts by 2 percent and bringing total starts for the first six months of this year to only 6 percent below those of January-June 1948. Expenditures by business on plant and equipment during the first half of 1949 exceeded those of the first half of 1948 by 3 percent, while anticipated expenditures for third quarter of this year are only 4 percent below actual expenditures in the second quarter of this year and the third quarter of 1948. Consumer income though declining is being supported by unemployment compensation benefits, so that adjustments continue to be gradual. Inventory liquidation in the nonferrous metals industries appears to have ceased as active demand by fabricators in recent weeks resulted in a slight recovery in copper, lead and zinc prices from their 1949 lows. Inventory liquidation by retailers, however, has continued despite relatively high levels of sales. If sales remain high during the next few months a slackening in inventory liquidation and an increase in new orders are likely.

Commodity Highlights

Output of meat this winter and next year is expected to rise chiefly as a result of a substantially larger output of pork. Prices of dairy products in coming months are likely to increase moderately. No full recovery of chicken prices from the declines of recent months is in prospect for the next few months. A record total supply of feed concentrates is in prospect for the 1949-50 season. The supply per animal unit is also expected to be a record. Feed grain prices this fall may weaken somewhat as a result of the large feed grain supply. Wheat prices may average near the loan level for the marketing year as a whole. Prices of deciduous fruit during the remainder of the summer are expected to decline more than seasonally. Market supplies of fresh lemons, oranges, and canned citrus juices will continue smaller this summer than last and prices will remain higher. Prices received for new-crop potatoes will be moderately lower this year than last. Prices of flue-cured tobacco may average below last year's record of 49.6 cents per pound.

OUTPUT AND EMPLOYMENT

Total industrial output in June continued to decline at about the same rate as in the previous three months. Most of the drop occurred in durable goods production, particularly iron and steel. No further decline in output of nondurable goods as a group occurred as activity in these industries combined was maintained at the levels of April and May. The Federal Reserve Board's index of industrial production, seasonally adjusted, was 169 (1935-39=100) in June, 3 percent below May, 12 percent below June a year ago and 13 percent below the postwar peak reached in October and November 1948.

Durable goods output during June was off 3 percent from May, chiefly reflecting a 17 percent decline in steel output. The index of durable goods production, seasonally adjusted was 194, 13 percent below June a year earlier and 16 percent below the postwar peak of October last year. With one minor exception, steel mill operations declined steadily from a peak of 102 percent of rated capacity for the week beginning March 14 to 79.9 percent of rated capacity for the week beginning June 27. Output of nonferrous metals also declined sharply in June, while machinery output declined further. Partly offsetting these declines was an increase in automobile production during the month, following the end of a work stoppage at plants of a leading producer. Assemblies of passenger cars during June totaled about 500,000 units, the highest monthly total in 20 years. Truck output and the manufacture of parts and accessories, on the other hand, were below the level of June 1948.

Nondurable goods output leveled off in June, remaining unchanged from the May level. At 160, the index was 10 percent below June a year ago, when it was close to the postwar peak. Slight increases in output of textiles, manufactured food products, rubber products and paperboard completely offset further declines in activity in the printing and publishing, petroleum and coal, and chemicals groups.

The output of minerals was off sharply during the month as a result of the work stoppage in the bituminous coal industry in mid-month and the start of the vacation period near the end of the month. Crude petroleum output also declined. The index of minerals production in June was 134, 16 percent below June 1948 and 17 percent below the peak in May last year.

Preliminary reports indicate that total industrial output declined slightly further in July. Steel and crude petroleum output continued down with no significant offsetting increases occurring in other industries.

The value of new construction actually started totaled 1.8 billions in June, 11 percent above May and slightly above the amount spent in June 1948. Increases from May occurred for all major types of construction, except industrial building, with those in private nonfarm homebuilding and public highway construction accounting for most of the increase in the total. Private expenditures in June totaled 1.2 billion dollars, 11 percent above May but 8 percent below a year earlier. Public expenditures, on the other hand, rose 11 percent above May and 28 percent above a year ago. For the first half of 1949, expenditures on new construction reached a record of 8.5 billion dollars, 4 percent above those for the first half of last year. Private expenditures were 5 percent below last year's January-June total, but public expenditures were 37 percent higher. New housing starts recovered sharply from the low levels of early 1949 and in March began increasing steadily each month. In June 100,000 units were started, bringing total starts for the first half of 1949 to a level only 6 percent below a year earlier.

Construction activity for the entire year 1949 may reach a record according to joint estimates of the U. S. Departments of Labor and Commerce. The total dollar volume of construction put in place during 1949 is expected to reach 19 billion dollars, compared with the previous high of

18.7 billions in 1948. Although the dollar increase over 1948 is expected to be relatively small, a somewhat larger increase is expected in physical volume because of lower costs. The high total is expected chiefly because of expansion by privately owned public utilities and increased construction activity by State and local governments. Private construction activity is expected to decline 5 percent below the 1948 peak with reductions taking place in both residential and nonresidential building.

Increases in both farm and nonfarm employment in June brought total employment for that month to 59.6 million persons, 900,000 above May, but 1.7 millions below June 1948. About 200,000 more persons were employed in nonfarm industries in June than in May, marking the first rise in nonfarm employment since March. Total nonfarm employment at 49.9 million persons, however, was still 2.0 millions below June a year earlier.

The number of unemployed in June increased to a postwar high of 3.8 million persons, a rise of 500,000 over May and 1.6 millions greater than June 1948. Much of the rise from May is due to a seasonal increase in the labor force of about 1.4 million persons, 1.2 millions of whom were students entering the labor market for summer or post-graduation jobs.

Average hours of work for those in nonagricultural industries remained about the same as in May, but total manhours worked were slightly less. Despite the rise in total nonagricultural employment, 100,000 fewer persons worked full time (35 hours or more) in June than in May as more regular workers were vacationing and some of the newer workers had only part-time jobs.

Business expenditures for plant and equipment in the third quarter is expected to be at an annual rate of 18.5 billion dollars, 4 percent less than the 19.3 billions for the second quarter of this year and in the third quarter of last year. Considering the declining trends in costs of construction and equipment, this dollar decline would reflect little if any change in volume. Anticipated expenditures for the third quarter by electric and gas utilities continue to reflect the increase from a year ago in actual outlays made by this group during the first two quarters of this year. In manufacturing, mining and other segments of nonfarm industry, expenditures during the remainder of 1949 are expected to run below those of last year. Indicated expenditures in manufacturing and mining during the third quarter of 1949 are 12 percent below those in the third quarter of 1948. This compares with a decline of 9 percent in actual outlays during the second quarter from those of the second quarter of 1948. On the other hand, outlays by electric and gas utilities are expected to run about 18 percent greater in the third quarter of 1949 than in the same period a year ago. Actual outlays in the second quarter of 1949 were 23 percent above those of a year earlier.

Earlier this year, expenditures for plant and equipment in the last half of 1949 were expected to be 14 percent below the last half of 1948. In view of the results of the recent survey covering the third quarter of this year, it now seems unlikely that the decline anticipated for the last half of 1949 will be as great as was indicated in the earlier survey.

INCOME AND RELATED FACTORS

Total personal income declined in May for the fifth straight month although the rate was slower than in the previous four months. The annual rate of personal income, seasonally adjusted, was 212.2 billion dollars in May, .3 billion below April, but 2.9 billions greater than May a year earlier. Slight declines in manufacturing payrolls and agricultural income accounted for most of the drop in the total.

Salary and wage receipts declined slightly in May to 134.2 billion dollars, .5 billion below April but 3.3 billions above May 1948. The April to May drop resulted primarily from smaller payrolls in manufacturing industries, notably in the machinery, iron and steel and nonferrous metals groups.

Sales of all retail stores declined slightly in June. The seasonally adjusted index of dollar sales in June was 329 (1935-39=100), 1 percent below May and 2 percent below June 1948. For the first six months of this year total sales of all retail stores have remained relatively stable with increases in sales of durable goods stores from the same months in 1948 offsetting a decline of 4 percent in nondurable goods sales.

Despite a relatively high level of sales, retail trade inventories have declined sharply in recent months. If current sales levels are maintained over the next few months it is likely that inventory liquidation will slacken appreciably. There may even be some upturn in new orders to rebuild rapidly diminishing stocks of some items.

Dollar sales at department stores in June declined 3 percent from May, after allowance for seasonal factors. Sales in June were 8 percent less than in June a year earlier, while total sales for the year through July 23 ran 5 percent below those of the same period in 1948. Although dollar volume so far this year has been running 5 percent below that of a year earlier, price declines and shifts to lower-priced lines of merchandise have maintained the physical volume of sales close to the level of last year.

COMMODITY PRICES

The declining trend in wholesale prices continued through June and the first week in July. The BLS index of wholesale prices of all commodities in June averaged 154.4 (1926=100), 1 percent below May, 7 percent below June 1948 and 9 percent below the peak reached last August. Lower prices for both farm and nonfarm commodities contributed to the decline in the overall level of wholesale prices from May. Except for textile products and fuel and lighting materials, prices of all groups of nonagricultural commodities averaged lower in June than in the previous month.

Table 1.- Group indexes of wholesale prices week ended July 19, 1949, with comparisons

(1926 = 100)

Group	Week ended July 19, 1949	Week ended June 21, 1949	Week ended July 20, 1948	Week ended July 19, 1949 percentage change from	
				Week ended June 21, 1949	Week ended July 20, 1948
All commodities	154.3	153.0	168.8	+ .8	- 8.6
Farm products	168.4	165.9	194.1	+ 1.5	- 13.2
Foods	164.2	159.6	191.0	+ 2.9	- 14.0
All other than farm and food	145.2	145.4	150.7	- .1	- 3.6
Textile products	139.0	138.2	149.4	+ .6	- 7.0
Fuel and lighting materials	130.6	130.6	136.4	0	- 4.3
Metals and products	167.8	165.7	159.2	+ 1.3	+ 5.4
Building materials	190.4	191.6	200.1	- .6	- 4.8
All other	125.0	126.9	135.8	- 1.5	- 8.0

Bureau of Labor Statistics

In contrast to the weakness during June and the first week in July wholesale prices strengthened somewhat in the middle of the month. Prices of all commodities combined averaged almost 1 percent higher than 4 weeks earlier with increases in prices of farm and food products more than offsetting a slight drop in prices of industrial commodities. Within the industrial group, prices of textile products and metals and metal products strengthened, increasing .6 percent and 1.3 percent respectively. During the week ended July 19, prices of all commodities averaged 8.6 percent below those of a year earlier. With the exception of metals and products, prices of all groups of commodities were lower than a year ago. Prices of farm products and foods were down sharply from last year, dropping 13.2 percent and 14.0 percent respectively. Prices of industrial commodities were 3.6 percent lower than a year earlier with those of textile products and the miscellaneous group registering the sharpest drop during the period.

Average prices received by farmers averaged slightly lower in mid-July than in the previous month. The BAE index of prices received by farmers dropped 249 on July 15 (1909-14=100), 1 percent below mid-June and 17 percent below a year earlier. Prices for all crops combined and livestock and livestock products averaged lower than in the previous month. Declines of 2 percent in food grains, 6 percent in oil-bearing crops and 8 percent in fruit more than offset increases in prices of feed grains and truck crops. Prices received for livestock and products averaged 1 percent lower than the previous month, with declines in prices of meat animals offsetting increases in dairy products and poultry and eggs.

Table 2.- Group indexes of prices received by farmers July 15, 1949
with comparisons

(August 1909-July 1914=100)

Item				July 15, 1949		
	July 15,	June 15,	July 15,	Percentage change from		
	1949	1949	1948	June 15,	July 15,	
	1/			1949	1948	
Food grains	207	212	240	- 2	- 14	
Feed grains and hay	171	168	256	+ 2	- 33	
Cotton	243	243	266	0	- 9	
Tobacco	412	412	370	0	+ 11	
Oil-bearing crops	205	219	366	- 6	- 44	
Fruit	194	211	172	- 8	+ 13	
Truck crops	185	175	213	+ 6	- 13	
All crops	220	225	253	- 2	- 13	
Meat animals	324	331	417	- 2	- 22	
Dairy products	236	230	300	+ 3	- 21	
Poultry and eggs	214	213	234	1/	- 9	
Livestock and products	275	277	344	- 1	- 20	
Crops and livestock and products	249	252	301	- 1	- 17	

Average prices received by farmers were sharply lower in July than a year ago with prices of livestock and products declining 22 percent and those of all crops 13 percent. The sharpest declines occurred in prices of oil-bearing crops, feed grains, meat animals and dairy products. Prices of tobacco and fruits were the only groups for which farmers were receiving higher prices than a year earlier.

If weather continues favorable, prices of farm products are likely to continue slightly downward as the large 1949 crops now in prospect are harvested. The indicated aggregate volume of crops on July 1 was 131 percent of the 1923-32 average. This is second only to last year's volume of 137 percent of the 1923-32 average.

Average prices paid by farmers in mid-July also declined from the previous month. The BAE index of prices paid by farmers, interest and taxes was 244 (1909-14=100) in mid-July, 1 point below June and 7 points below July a year earlier. Retail prices paid by farmers for food, clothing, house furnishings, and building materials were somewhat lower than the previous month and more than offset increases in prices of feeds.

Prices paid by urban consumers were fractionally higher in June than in the previous month as slight increases in rents and food prices more than offset continued declines in prices of clothing, home furnishings and fuel. The BLS index of consumer prices in June rose to 169.6, slightly above May but 1 percent lower than a year earlier.

FARM INCOME

Farmers received around 14.0 billion dollars from marketings in the first 7 months of 1949, 9 percent less than in the same period last year. Prices farmers received averaged 11 percent below a year ago. Marketings on the whole were larger.

The sale of livestock and livestock products from January through July brought farmers about 8.6 billion dollars, 12 percent below the same period in 1948. Prices of livestock and products averaged 10 percent less than last year. Cash receipts from meat animals were probably 13 percent below last year, with prices averaging about 10 percent lower than a year ago and marketings also down. Farmers received about 18 percent less from the sale of dairy products in the 7-month period this year. Milk production was up a little but prices were down 17 percent. Receipts from poultry and eggs were about the same as last year.

Crop receipts in the first 7 months were 5.4 billion dollars, a little below last year. Average crop prices were down about 13 percent from a year ago but marketings were greater. Receipts from wheat and vegetables were down sharply, mostly because of lower prices. Larger sales of corn and cotton more than offset lower prices, and their cash receipts were up substantially.

In July, farmers' receipts totaled about 2.1 billion dollars, about the same as in June but 22 percent less than in July 1948. Prices averaged 17 percent below a year ago.

Receipts from livestock and products in July were about 1.2 billion dollars, a little lower than in June and one-fifth less than last July. Cash receipts from meat animals were a little lower than in June but 15 percent below July 1948. Dairy product receipts probably were 6 percent below June and one-quarter less than a year ago. Milk production, though down seasonally was slightly higher than last July. On the other hand, prices of dairy products averaged slightly higher than in June, but were nearly one-quarter less than last year. Receipts from poultry and eggs were a little below June and nearly 15 percent less than last July.

July crop receipts were about 1.9 billion dollars, 10 percent above June but 25 percent below July a year ago. Crop prices averaged slightly less than in June and 13 percent lower than last July. Receipts from wheat were seasonally greater than in June, but substantially below a year ago. Receipts from fruits and vegetables were also greater than in June, but they were below July 1948. Receipts from corn were lower than in June because of smaller marketings, and they were down from a year ago because of lower prices.

LIVESTOCK AND MEAT

Prospects for another bumper corn crop, an abundance of other grain, and adequate production of hay in most areas point to ample feed supplies for any foreseeable level of livestock production this winter and next year. Meat output will increase but the gain will be almost entirely in pork. Hog slaughter this fall and winter will be larger than last year because of the 15 percent increase in the 1949 spring pig crop. The prospective corn crop reinforces previous indications of a fall pig crop substantially larger than last year. Although feed grain supplies will be large, average slaughter weights are expected to continue lighter than in recent years.

There appears to be greater tendency this year than in recent years for producers to build up cattle herds and halt the downward trend in sheep numbers. Slaughter of breeding stock has been smaller than last year. One-fifth fewer cows were slaughtered under Federal inspection in January-May this year than last, and one-fourth fewer than in 1947.

About 32 percent fewer mature sheep were slaughtered under Federal inspection the first 5 months of this year than a year previously. Along with an 18 percent reduction in slaughter of lambs and yearlings, this is evidence that sheep herds may be reduced less this year than in 1948.

Prices of hogs in mid-July advanced seasonally to the highest levels of the year, with sows and heavy hogs showing the greatest relative upturn. Seasonal declines are in prospect when marketings start increasing in late August or early September. Cattle prices have held about steady on the higher grades while declining seasonally on the lower grades, thus widening the spread.

Compared with a year earlier, consumption of meat was down about 1 to 2 percent in the first six months this year. In the third quarter, it may not be much different from last year and in the fourth quarter will be up from a year earlier.

DAIRY PRODUCTS

In coming months, prices of dairy products are likely to increase moderately because of seasonal reductions in output and advances in support levels for butter (July 27) and nonfat dry milk solids (September 1). Prices for several items turned upward slightly between mid-June and mid-July, carrying them slightly above the seasonal lows of the year. Around mid-July, however, the price of cheese declined moderately, reflecting, at least in part, the suspension of purchases for export by British interests. The Department announced on July 27 that Cheddar cheese would be purchased under price support activities at a price of 31.75 cents per pound. Wholesale prices for all manufactured dairy items were considerably below a year earlier. In mid-July price reductions ranged from 10 percent for condensed milk to around 30 percent for cheese and dry whole milk.

Prices of milk for fluid use, on the average, have ceased to decline and for several cities price increases were reported as of July 1. Apparent consumption of fluid milk and cream, combined, so far this year has been little different from a year earlier.

For some dairy products, the price decline has been considerably greater at wholesale than at retail. On American cheese, the wholesale price was 30 percent lower in mid-June than last year, while at retail the average price for the United States was down 11 percent. For evaporated milk the reduction was 21 percent at wholesale and 14 percent at retail; for butter, 27 percent and 23 percent respectively. Consumption of all three of these products has been larger than a year ago.

In the first half of 1949, milk output was 2.6 percent greater than a year earlier. The increase is continuing to be absorbed by manufactured dairy products and compared with a year earlier output of butter and cheese has continued larger, while production of canned milk has been smaller. However, recent monthly rates of production, after allowance for seasonal factors, have declined for butter, cheese, and ice cream but have increased for evaporated milk.

Government purchases for price support continue but the rate recently has been below the weekly levels of June. Up to July 22, purchases totaled 267 million pounds of nonfat dry milk solids and 10 million pounds of butter.

POULTRY AND EGGS

Since March, egg prices have been rising seasonally toward the peak which occurs in the fall. Poultry prices, on the other hand, began a decline in April that has been much sharper than is usual for the season. In mid-July, poultry prices received by farmers were 22 percent lower than in April.

Farmers received an average of 45.3 cents per dozen for the eggs they sold in mid-July, 0.5 cents less than a year earlier. For the two previous months the farm prices for eggs had exceeded last year's. Aggregate egg production in January-June was about the same in the last two years. Supplies moving into consumption channels also were about the same as last year. Other dispositions of the January-June farm production were: Government price support purchase, 5.2 percent of production, (0.8 percent last year); net commercial cold storage, 4.7 percent of production, (10.4 percent last year); eggs for hatching, 5.2 percent of production, (4.2 percent last year).

The smaller commercial cold storage movement largely results from: (1) the generally unsatisfactory financial outcome of 1948 storage operations; (2) the expectation of heavy production from an expanded flock late in the year; and (3) the generally unsettled business outlook.

Continued large marketings of chickens are in prospect for the next few months. Since supplies of red meat and other competing foods are also expected to be large, it is not likely that chicken prices will make a full recovery from the declines of recent months. Marketings of farm chickens will increase seasonally through the summer and early fall. Commercial broiler marketings, at least until October, also will be at a relatively high level based on the placements of broiler chicks through mid-July.

The large turkey hatch this spring and the prospect for a record or near-record supply of turkey meat this fall and winter have already affected the price of turkeys. In the New York wholesale market, the few birds now being sold are quoted at about 25 cents per pound (dressed) less than a year ago. The Department of Agriculture has announced a turkey price support program beginning in August. This program is designed to maintain average farm prices at 90 percent of parity during the marketing season through purchases of frozen turkey at stipulated prices.

FATS, OILS, AND OILSEEDS

Planted acreages of oilseeds this year are greater than in 1948. Planted acreages of cotton and flaxseed increased, but those of soybeans and peanuts declined. However, total output of oilseeds this year, in terms of potential vegetable oil production, may be smaller than in 1948 largely because per acre yields may not reach last year's record levels.

Exports of fats, oils and oil equivalent of oilseeds in January-May 1949 totaled 1,157 million pounds, including shipments to United States Territories. This was about two and one-half times the total for the same period last year and was at an annual rate well above the total for any previous year. Exports in May 1949 were 313 million pounds in terms of oil, a small decline when compared with April 1949. Leading exports in January-May consisted of lard, soybeans and soybean oil, inedible tallow and greases, and cottonseed oil.

Imports of fats and oils remained relatively small in May, although copra imports were moderately higher than in recent months. The January-May total including oilseeds in terms of oil was 380 million pounds compared with 584 million pounds a year earlier.

The index number of wholesale prices of 26 major fats and oils (excluding butter) in July was about 160 percent of the 1935-39 average compared with 161 in June and 266 in July 1948. With the termination of the CCC price support for linseed oil from the 1948 crop on June 30, the Minneapolis quotation declined about 3 cents in July to around 24 cents per pound. The price of lard dropped one-half cent in July and the price of inedible tallow dipped a little. Prices of corn, and coconut oils rose slightly. Prices of cottonseed oil, tung oil, and butter increased about 1 cent and the price of peanut oil increased about 2.5 cents.

Reflecting increased production since last summer of lard and edible oils, retail prices of food fats other than butter have declined substantially and in May were about 30 percent lower than a year earlier. The effect of reduced prices on consumption apparently is being offset by a moderate decline in consumer income. Domestic disappearance of lard and the principal oils used in food products in January-May was about 2,200 million pounds, a little more than last year. Per capita disappearance of food fats other than butter in 1949 may total the same as the 34.5 pounds (fat content) in 1948.

In contrast, higher production and lower prices for butter so far this year have resulted in an increase in consumption. Per capita disappearance of butter in January-June (without adjusting for exports and imports) was 4.4 pounds (fat content), 10 percent higher than last year's total of 8.0 pounds (fat content), per person.

CORN AND OTHER FEEDS

Very favorable weather for feed crops through early July and the big stocks of feed grains on hand from the 1948-season point to a record total supply of feed concentrates for 1949-50. The supply per animal unit also is expected to be a record, even though numbers of livestock to be fed are increasing. The total supply of feed grains and other concentrates, based on July indications, will be about 182 million tons, 5 percent larger than the previous record in 1942-43, and 8 percent above the big supply for 1948-49. The corn supply is expected to be around 4.5 billion bushels--about 15 percent larger than the record of last year.

Although the large feed grain supply probably will result in some seasonal weakness in feed grain prices this fall, its influence will be tempered by 1949 loans and by the large storage holdings of 1948 feed grains under the support programs. In July, prices of oats, barley and grain sorghums were all below the 1949 loan level. Corn prices were below the loan level through the 1948-49 loan period.

Prices of most feeds advanced from June to July, with the greatest strength in the high protein feeds. The demand for protein supplements for hog and poultry rations has been especially strong in recent months. In July, prices of tankage and meat scraps were much higher than a year ago and soybean meal advanced to the highest level since August of 1948.

The hay supply estimated in July at 113 million tons is a little smaller than the big supplies of most other recent years. While the supply appears adequate for the hay consuming livestock on farms in most areas of the country, shortages may occur in the Northeast and in areas of the Eastern Corn Belt and the West Coast States. Pastures were in about average condition on July 1.

Domestic disappearance of feed grains during April-June, was about one-fourth larger than the small disappearance in that period of last year, but was a little smaller than during the war. Corn disappearance was about one-fourth larger than during the same quarter in 1948. Stocks of corn on July 1 totaled 1,277 million bushels, about 300 million bushels above the previous July 1 record stocks in 1940. A record quantity of corn, totaling 533 million bushels, was placed under price support during the 1948-49 loan period.

WHEAT

Wheat prices are expected to advance gradually after peak market movements in the various areas are past, and may average near the loan level for the marketing year as a whole. The peak movement for hard winter, failed to be as heavy as expected. Because of poorer yields than were expected, many producers of hard winter wheat had ample storage space.

The price of No. 2 Hard Winter at Kansas City dropped to \$1.85 on July 2, 35 cents under the loan rate recently announced. Since then prices have strengthened and on August 1 were \$2.00. This was 20 cents under the loan. The low point last year was 18 cents under the loan.

Movement to market from the soft wheat areas has been heavier and prices somewhat weaker than in the hard wheat belt. The price of spring wheat at Minneapolis has only recently gone below the loan, and on August 1 was 10 cents under. The seasonal decline in spring wheat prices always occurs later in the year than the adjustment in winter wheat prices because of the later spring wheat harvest.

U. S. wheat supplies in 1949-50 are now estimated at 1,482 million bushels. With the carry-over on July 1, 1949 of about 100 million bushels larger than a year earlier about offsetting the decrease in the size of the crop compared with last year, total supplies are about the same as the 1,484 million bushels in 1948, when they were the third largest in our history. Domestic disappearance may total about 700 million, so that 780 million would be available for export in 1949-50 and carry-over July 1, 1950. If exports total 450 million, the carry-over July 1, 1950 would be about 330 million bushels, only slightly higher than on July 1, 1949.

In 1948-49 domestic disappearance totaled 691 million bushels and exports 501 million, a new high for the fourth consecutive year.

A national acreage allotment of 68.9 million acres for the 1950 crop was announced on July 14. No wheat marketing quotas will be proclaimed for the 1950-51 marketing year. With the very large decline in the indicated 1949 crop, the total supply as projected for 1950-51 is less than the level at which the proclamation of wheat marketing quotas is required.

Indications continue to point to a 1949 breadgrain output in Europe (excluding the Soviet Union) about 5 percent below the 1948 level and more than 10 percent below the 1935-39 average. Grain output in the Soviet Union is expected to increase over last year, when wheat production was 17 percent below prewar. A 1949 total wheat acreage for Canada was officially indicated on July 21 at 27.5 million acres, an increase of 14 percent from the 24.1 million acres seeded a year ago. The condition for all Canada on June 30 for wheat was 72 percent on the long-time average yield compared with 95 percent on the same date last year and 125 percent in 1947. The low condition figure this year is accounted for largely by adverse moisture conditions.

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FRUIT

Prices that growers will receive for deciduous fruit through the rest of this summer are expected to decline more than seasonally as heavy marketings are made from the above-average 1949 crops. Because of larger production, increased stocks of processed fruits, and slightly lower consumer incomes this year, prices for most 1949 deciduous fruit crops are expected to average lower than in 1948. Prices for the remaining small supplies of 1948-49 crop citrus fruits are expected to continue high.

Total production of 8 major deciduous fruits in 1949--apricots, apples, cherries, grapes, peaches, pears, plums, and prunes--was estimated as of July 1 to be about 13 percent larger than that in 1948 and about 8 percent larger than the 1938-47 average. Record crops of almonds, walnuts, and filberts are in prospect. Although most crops are larger this year than last and above average, the early peach crop again is small and the sour cherry crop is about one-fourth smaller than the record 1948 crop. Grower prices for these two crops probably will average about as high as 1948 prices.

Larger-than-usual supplies of most fruits will be available this year for processing. The California clingstone peach crop, which provides most of the commercially-canned peaches in the United States, is a record. The Bartlett pear crop of the 3 Pacific Coast States, which usually furnishes about 90 percent of all commercially-canned pears in the United States, is a third larger than the 1948 crop and one-sixth larger than average. Although the sour cherry crop is smaller than the 1948 crop, it is one-sixth larger than average.

Market supplies of fresh lemons, oranges, and canned citrus juices will continue smaller this summer than last and prices will remain higher. The smaller supplies of canned citrus juices will be only partially offset by increased supplies of frozen concentrated citrus juices. Production of frozen concentrated orange juice has increased greatly since its introduction in 1945, and this will take about 7 percent of the 1948-49 crop.

COMMERCIAL TRUCK CROPS

For Fresh Market

The index of truck crop prices received by farmers this summer probably will average slightly lower than a year earlier.

However, less than the usual seasonal decline in truck crop prices received by farmers is expected for the rest of this summer because of the effects of hot, dry weather upon home-grown supplies in Northeastern areas. Estimated summer season supplies grown in all commercial areas producing primarily for shipment to the fresh market total nearly as large as those grown last summer, and slightly larger than average for 1938-47. Crops larger than last summer are estimated only for lettuce, watermelons, and early summer onions. Summer crops from 12 to 31 percent smaller than last year are estimated for green peas, Honey Dew melons, eggplant, carrots, celery and green peppers. Supplies of most other truck crops are expected to be from 1 to 10 percent smaller than last summer.

For Processing

Bureau of Agricultural Economics estimates of prices received by farmers for truck crops produced this year for commercial processing will not be available before next December. However, total acreages planted are about the same as last year. Acreage indications by crops and other evidence, suggest that prices paid by processors generally have been about as high as last year except for tomatoes and sweet corn. This year's national acreage planted or indicated for harvest for commercial processing is larger than last year for the following crops: snap beans, green peas, lima beans, beets, contracted cabbage for kraut, cucumbers for pickles, and pimientos, and for spinach in winter and spring harvest areas. Planted acreage of sweet corn for processing is slightly smaller this year than last, while acreage of tomatoes for processing this year is down more than one-tenth.

Substantially larger quantities of snap beans and spinach are indicated for processing this year than last, but substantially less tomatoes.

POTATOES AND SWEETPOTATOES

Prospects for a much smaller potato crop than last year make it seem probable that prices received for potatoes by farmers this year will average only slightly lower than last year in spite of a substantially lower support level. The July 1 crop report indicated a 1949 crop of not quite 369 million bushels, compared with the 1948 crop of about 446 million bushels. The reduction in supply will partly offset lower demand due to some reduction in national disposable income. Prices may average above the support level which is substantially below last year.

The somewhat lower level of potato prices this year may make it possible to move a larger quantity through normal trade channels than in the case of the 1948 crop. If so, the surplus to be handled out of the 1949 crop may be less than one-third as large as for the 1948 crop. Through July 4, Government purchases of 1949 crop potatoes totaled not quite 2.6 million bushels, less than one-third the quantity bought from the 1948 crop by the same date last year.

The prospective crop in the intermediate potato States is 12 million bushels, one-third smaller than last year's crop. In the 29 late States, principal source of potatoes for next fall and winter, the prospective crop is about 61 million bushels--or one-sixth smaller than last year's crop.

Prices received by farmers for 1949-crop sweetpotatoes may be slightly lower than those received for the 1948 crop. As of July 1, the prospective crop is indicated to be slightly larger than the 1948 crop. By States, the major increases are indicated for Texas, the Carolinas, and Georgia; the only major decrease is in New Jersey.

DRY BEANS AND PEAS

The 1949 crop of dry edible beans now is expected to be the third largest crop of record although 8 percent smaller than the 1948 crop. With

the substantial carry-over of beans expected from the 1948 crop, prices received by farmers probably will continue close to support-price levels. For the 1949 bean crop, the support price is 80 percent of parity as of September 1, 1949. Support for the 1948 crop was on a 90 percent level. Less than the usual seasonal decline in bean prices is expected this summer and fall in contrast to the sharp decline last fall.

Because of a record-low yield indicated, the prospective dry field pea crop is 13 percent smaller than last year, but larger than most crops in the years 1928 to 1940. Price support for the 1949 crop will be at 60 percent of the "comparable" parity price as of July 1, 1949. Support on the 1948 crop was on the basis of 90 percent of the July 1, 1948 comparable price of \$5.25 per 100 pounds. The comparable price July 1 this year was \$5.12. Since prices received by farmers for dry peas are expected generally to reflect support levels, they probably will average moderately lower for the 1949 crop than for the 1948 crop.

COTTON

Prices of cotton have declined slightly in recent weeks and in mid-July were the lowest since early February. On July 13, Middling 15/16" averaged 32.33 cents per pound in the 10 spot markets, compared with 32.86 a month earlier, 34.33 a year earlier, and the peak price this season of 33.37 reached in late April. Current prices of most quantities of cotton are just about equal to the repossession cost.

Cotton exports in May were 464,000 bales compared with 591,000 in April, and 205,000 in May last season. Total exports through May were 4,017,400 bales, nearly 2 1/3 times as large as in the same period last season.

Domestic consumption in June totaled 600,000 bales compared with 580,000 in May and 800,000 bales in June a year ago.

Repossessions from CCC loan stocks were relatively low in July. Loan stocks, exceeding 3 3/4 million bales comprised about two-thirds of August 1 carry-over.

Acreage in cotton on July 1 was forecast at 26,380,000 acres, an increase over last year of 14.2 percent.

TOBACCO

Georgia and Florida auction markets for the 1949 crop of flue-cured tobacco (type 14) began in the last week of July with prices averaging 44.2 cents per pound. The season average price for last year's Type 14 crop was 47.4 cents per pound. Auctions for other flue-cured types begin in August and September.

Flue-cured prices are expected to average below last year's record of 49.6 cents per pound. The July indication was for a 1,155-million-pound crop--about 6 percent larger than in 1948. Although carry-over may be down slightly, the total supply of flue-cured for the 1949-50 marketing

year will probably be about 2 percent above 1948-49. The level of price support for 1949 flue-cured tobacco is 42.5 cents per pound or 3 percent less than the 43.9-cent level in effect last season. Early sales indicate that the demand for flue-cured is generally firm. Both domestic use and exports of flue-cured gained in 1948-49 over 1947-48. The estimated total disappearance in 1948-49 is around 1,100 million pounds compared with 1,054 million pounds in the previous year.

In the 1949 fiscal year which ended June 30, cigarette production--the principal outlet for flue-cured--again set a new record. Output was about 390 billion compared with 379 billion in the 1948 fiscal year. United States cigarette consumption is expected to remain high in the year ahead.

Maryland tobacco auctions are nearing the end of the sales season. Average prices for auction-market tobacco through late July was 54 cents--well above the support level of 43.9 cents and about one-fourth higher than last season's auction market average.

Indicated Burley production in July was nearly as high as last year's large crop. Total supply for 1949-50 will be a record. The price-support level for 1949 Burley and other types will be determined on the basis of the September index of prices paid by farmers and will be moderately below that of last season.

According to July indications, smaller crops than last year are in prospect for fire-cured (types 21-24), Green River (type 36), cigar filler, and most cigar binder types. Small increases are indicated in One Sucker (type 35), Virginia sun-cured (type 37), and in cigar wrapper types.

United States cigar consumption during fiscal 1948-49 was approximately 5,700 million, about the same as in 1947-48. During the last half of the recent fiscal year (January-June 1949), cigar consumption dropped 3 percent below the same period a year earlier. The consumption of snuff, smoking, and chewing in July 1948-June 1949 was smaller than in the previous year. Chewing tobacco dropped about 8 percent while the smoking and snuff were only around 3 and 1 percent less respectively.

Although tobacco exports in April and May dropped below those in the same 2 months of 1948, the total exports of unmanufactured tobacco for the year ended June 30 is estimated at around 5 percent above the previous year. Due to adverse changes in Britain's dollar position in recent months, British tobacco imports from U. S. in 1949-50 will be less than originally expected.

SUGAR

The grinding season has been virtually completed in Cuba, Puerto Rico, and the Philippines. Preliminary figures of production in thousand short tons, are as follows: Cuba, 5,763; Puerto Rico, 1,275; and the Philippines, 800. Philippine production includes 705 thousand tons of

centrifugal sugar, the remainder being muscavado and panocha. Production in Cuba was 14 percent below that of the 1948 record. Production in Puerto Rico increased 15 percent over 1948 to set a new record, while that in the Philippines was over 60 percent higher than the previous year, but still about 30 percent below the 1935-39 average.

Domestic sugar prices continue stable at levels somewhat higher than those of last year. For the June 16-July 15 period the price of raw sugar, duty paid, New York averaged 5.86 cents a pound, and that of wholesale refined, New York, 7.85 cents. Prices for the comparable period in 1948 were 5.55 and 7.64 cents. The U. S. average retail price in June was 9.5 cents, while that in June 1948 was 9.2 cents.

The July report of the Crop Reporting Board indicates that production of sugar from this season's mainland cane and beet crops will be higher than last season. Sugar production from the 1949 cane crop may be close to the 1938 record of 583 thousand tons. New records are indicated for acreage and production of sugarcane and yield of cane per acre. The indicated production of sugarcane of 8,032 thousand tons for sugar and seed is 17 percent higher than that of 1948 and 35 percent higher than the 1938-47 average, while the indicated 1949 acreage, 346.4 thousand acres, is 4 percent higher than 1948 and 16 percent higher than the 10-year average.

A production of sugar from the 1949 mainland beet crop at about the 1948 level of 1,369 thousand is indicated. The 1949 crop of sugar beets is estimated at 9,585 thousand tons, 2 percent higher than 1948, but 5.5 percent lower than the 1938-47 average. A total of 716 thousand acres is estimated for harvest, 3 percent higher than 1948, but 9 percent lower than the 10-year average.

The declining trend in the production of sirup crops is still continuing. The estimated acreages of sorghum and sugarcane to be harvested for sirup of 94 and 72 thousand acres are the lowest on record. The sorghum for sirup acreage is 15 percent below that of 1948, and almost 50 percent below the 1938-47 average. The sugarcane for sirup acreage is 11 percent below that of 1948, and about 40 percent lower than the 10-year average.

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